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SUBJECT: CODEL MARTINEZ JANUARY 10-11 VISIT TO MADRID

11. (U) Summary: Codel Martinez had a busy and productive visit to Madrid January 10-11, 2008, meeting with the Prince of Asturias, Popular Party (PP) presidential candidate Mariano Rajoy, National Security Advisor Carles Casajuana (septel), former President Aznar, Foreign Minister Moratinos (septel), and Cuban dissidents Hector Palacios and Gisela Delgado. The Ambassador accompanied Senator Martinez in all of his meetings. Codel Martinez also attended a lunch organized by the American Chamber of Commerce where discussion focused on renewable energy and a dinner with the U.S.-Spain Council hosted by the Ambassador. In addition, Senator Martinez gave an interview to El Pais newspaper. Senators Grassley and Thune met with a senior official at the Ministry of Industry, Tourism, and Trade to discuss U.S. pork exports. End Summary.

Prince of Asturias

12. (SBU) Shortly after their arrival January 10, Senators Martinez, Grassley, Thune, and Craig were received by the Prince of Asturias at Zarzuela Palace. The Prince stressed the importance for Spain of maintaining excellent relations with the U.S. and his commitment to improving those relations. The Prince reminisced happily about his travels in the U.S. and expressed a great fondness for the country. He had clearly been following the U.S. Presidential primaries and sought the Senators' views on the process.

Mariano Rajoy

13. (SBU) The delegation met at PP headquarters with presidential candidate Mariano Rajoy. Rajoy noted that with less than two months to go before the Spanish general elections, the polls showed him in a tie with Zapatero and his Spanish Socialist Workers, Party (PSOE). Rajoy said his campaign would focus on the economy, nationalism, and terrorism. On the economy, he said polls showed it to be the number one issue. Rajoy said Zapatero had lived for four years off the inheritance of the previous PP,s government's good economic management. Rajoy said the macroeconomic indicators were still good, but people were beginning to feel the pinch of inflation running above the EU average. He also said interest rates were rising, a serious worry in a nation of 44 million with eight million mortgages. Rajoy said Zapatero had not defended Spain, the oldest national identity in Europe, from the demands of radical regional groups with nationalistic aspirations. On terrorism, Rajoy contrasted PP firmness with Zapatero,s attempt to negotiate with ETA.

14. (SBU) In foreign policy, Rajoy said he would defend democracy, freedom, human rights, and Western values. He said Spain (and Europe) needed the best possible relationship with the U.S. Rajoy noted Spain had once been a reliable ally of the U.S. He promised that as President he would

speak his mind and avoid surprises. Rajoy said Spain should play a significant role in Latin America and should promote democracy, freedom, and human rights in the region, which was suffering some unacceptable leaders at the moment. He said the PP position regarding Venezuela was well known: populism was not the direction the people of Latin America were moving. He expressed strong disagreement with Zapatero,s Cuba policy and voiced concern over treatment of dissidents in Cuba. Rajoy noted Spain,s position on Cuba was important within the EU. Rajoy insisted he would fulfill Spain,s commitments abroad, which would be in defense of Western values. He said it was difficult but the public would understand the need for overseas engagement if the problems were explained to them. He said Spain would continue in Afghanistan, and noted the while in opposition the PP had supported sending troops abroad. Rajoy said the PP opposed Spain,s 2004 withdrawal from Iraq, which he characterized as a mistake, albeit one that won the PSOE votes.

15. (SBU) Although he did not indicate he would make it a campaign issue, Rajoy noted Spain was number two in the world behind the U.S. in terms of the numbers of immigrants received. Over ten percent of the population was of foreign origin, and there was a large Muslim immigrant population. He said immigration was beginning to cause problems, as ordinary Spaniards saw their access to social services affected (he mentioned public health was 40 percent of Spain,s budget). He said the PP was against illegal immigration and in favor of orderly migration flows. He condemned Zapatero,s amnesty for nearly one million illegal immigrants, saying it had drawn new immigrants and noted that migratory pressures from Africa were only increasing.

16. (SBU) Rajoy mentioned that while Minister of Interior he was the first European minister to visit the U.S. after the

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9/11 attacks. He said the West needed to invest more resources in educating people about democratic values. He criticized the Zapatero government,s Alliance of Civilizations (AOC) effort, saying it was an electoral ploy. He said the left wing in Spain and elsewhere tried to use the popular media and entertainment figures to convince people that they favored peace while center right parties such as the PP in Spain favored war. He said this had to be countered through education.

17. (SBU) Asked about voter turnout, Rajoy said this was a big unknown. He said in 2000 the PP won an absolute majority in Congress. In 2004, they lost by about five percent because Zapatero was able to mobilize socialist voters using the Iraq war and the Atocha bombings. He characterized 2004 as a vote against the PP rather than for the PSOE. Rajoy predicted the anti-PP vote would not be there this year. He said the PP base was very loyal and would vote, so the question was many socialist actually turned out. He noted in 2004 polls should him eight points ahead the day of the Atocha bombings, and he lost by five points the following Sunday. Rajoy noted that the polls in the 2007 municipal elections predicted PP defeat. In fact, the PP won. He said turnout and loyalty were key. He claimed polls showed 85 percent of PP voters were loyal but only 72 percent of PSOE voters. He said his strategy was to reach out to the center and the opposition rather than to his base. He said this was to avoid mobilizing the PSOE base and increasing their turnout. Rajoy mentioned that convincing the media which supported the PP to avoid antagonizing the left was a challenge. Noting he had been campaign manager both times, he noted Aznar,s 1996 campaign was aggressive whereas in the even more successful 2000 campaign the PP had behaved like nuns. Rajoy said the costs of campaigning in Spain were negligible compared to the U.S. He said in Spain, as opposed to the U.S., it was important not to let people know how much money you had raised since voters would turn against the candidate with the most money. He noted the parties were prohibited from buying advertising until the last two weeks, and so they had to earn

media coverage in the meantime and were heavily focused on the internet, which he said was the only way to reach young voters. He said the party was commissioning two polls a month and would move to daily polling in the last two weeks (Rajoy joked that after long and intensive study of the science of polling he had concluded he knew nothing about polls). He said most of the PP money would be spent on radio and billboard advertising. He noted he was on the trail four out of every seven days. Rajoy said the debates, scheduled for February 25 and March 3, could be decisive since they came so late in the process. He mentioned that the PP was also hitting family issues, noting the PSOE favored gay marriage. Rajoy said there were 1.5 million absentee voters, a number he said was significant in terms of the Spanish electorate. He recalled that in a recent election the PP had lost a seat in Galicia because Hugo Chavez had sequestered the mail from Venezuela, which Rajoy was sure contained a heavy PP vote since Spaniards there were unhappy with the PSOE's failure to stand up to Chavez. Rajoy mentioned the PP had an office in Washington and their representative there was part of the party's governing committee. He also sought the Senators' views on the U.S. Presidential campaign.

Jose Maria Aznar

18. (SBU) On January 11 CODEL Martinez held a wide-ranging discussion with former Spanish President Jose Maria Aznar that touched on the electoral outlook in Spain and the U.S., as well as Aznar's strong opinions on Kosovo, Turkey, and the Alliance of Civilizations. President Aznar told the CODEL that he held real reservations about Kosovo's independence, concerns he mentioned he had conveyed to Senator Lieberman the night before. Aznar said he believed international acceptance of a unilateral declaration of independence (UDI) would lead to three undesirable results: the de facto acceptance of changed borders in Europe as a consequence of "blackmail;" the establishment of a principle of self-determination that would have ramifications in Spain, Italy, Turkey, Iraq, and other states with minority populations; and the rise of nationalism on the European continent. Aznar said he feared the explosive mixture of nationalism and changing borders and would prefer Kosovo remain a protectorate for the next century rather than have a UDI be accepted by much of the international community.

19. (SBU) Aznar opined that Turkey's EU bid was impossible at present and would continue to be so for perhaps the next 15 years. The former president said that while Europe should certainly look to forge and maintain a special relationship with Turkey, it was hard for him to imagine a Muslim-majority country fitting into a Europe of Christian roots. He said

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that EU and U.S. leaders needed to consider just what the Turkey factor would mean to Europe with the addition of 100 million Muslims.

110. (SBU) Aznar voiced skepticism regarding the AOC. He said during his term in office he visited Iran and worked closely with former Iranian President Khatemi to establish a dialogue of civilizations, but that he could not see the desirability or feasibility of forming an alliance with figures such as Supreme Leader Khamenei. Aznar said that the AOC was not in the best interests of the West. He mentioned that he maintains good relations with Turkish President Erdogan and claimed to have it on good authority that Erdogan was taking an active role in Zapatero's AOC not because he necessarily believed in it, but because he hoped it would help Turkey's EU bid.

111. (SBU) Aznar concluded the meeting with a discussion of the role of his think tank, the Foundation for Social Analysis and Studies (FAES). He said that FAES was set up in the European liberal tradition and was intended to defend the values of the western world and an Atlantic policy. FAES

seeks to strengthen the U.S.-EU pillar and believes that an Atlantic Europe is the only possibility for the continent.

Renewable Energy

¶12. (U) At a lunch on renewable energy hosted by the American Chamber of Commerce, the Senators and Spanish companies discussed the status of several forms of renewable and low-emission energy. Ambassador Aguirre and AmCham president Jaime Malet opened with remarks describing Spanish and U.S. leadership in the sector and emphasizing the amount of Spanish investment in renewables projects in the U.S. Ambassador Aguirre described the February renewable energy trade and investment mission post is organizing with the GOS to bring Spanish government officials and companies to the U.S. Senators Grassley and Thune discussed biofuels, which Senator Grassley noted were likely to shift away from the present emphasis on corn-based ethanol to cellulose-based ethanol after the next 5-10 years. Senators Grassley and Thune explained their states, favorable location for wind power (Iowa has Spanish investment in both wind farms and a wind turbine manufacturing plant), while Senator Martinez noted that the U.S., geographic variability meant that an identical national renewable portfolio standard for each state would be unfair to states such as Florida that lacked commercially viable quantities of wind. Senator Craig and Ambassador Aguirre emphasized the importance of technological advances in addressing energy dependence and climate change. Senator Craig described U.S. climate change policy, outlined the U.S. national energy laboratories, role in technological research, and reviewed issues related to nuclear and clean coal technology. Spanish company representatives described Spain,s system of incentives for electricity from renewable sources (Spain,s system is based on guaranteed prices, while U.S. incentives are mainly tax-related) and expressed interest in investment opportunities in the U.S. in electricity transmission as well as generation. Participants from both countries emphasized the importance of encouraging renewable energy as an alternative to dependence upon hydrocarbon imports from undemocratic suppliers.

Cuban Dissidents

¶13. (SBU) Senators Martinez and Craig, joined by the Ambassador and Deputy Chief of Mission, met January 11 with Cuban dissidents Hector Palacios and his wife Gisela Delgado. Palacios briefed the Senators on his personal situation saying he had been released from jail at the petition of the Spanish Government in order to come to Spain to receive medical treatment. While appreciated Spain,s help, he did not agree with Spain,s policy of engagement with the Cuban regime or with gestures such as the 2007 Moratinos visit to Cuba. He said he and his wife had made public statements critical of Spanish policy and as a result the Spanish had cut his per diem allowance and moved him to a cheaper hotel. He said Moratinos had not seen him and instead he dealt with the Director General for Iberoamerica.

¶14. (SBU) Palacios said political control in Cuba was fragmenting into three or four different groups. Fidel had been the glue that held it together. Each group had a somewhat different agenda their common goal was to stay in power. Palacios said Cuba was ripe for change. He said the military would not be a major obstacle once change began because conscription meant that the military reflected the people. Also, Fidel,s policy of rotating troops regularly underneath their officers had had its intended effect of

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preventing the formation of units personally loyal to their commanders. He said a greater problem would the large system of repression Fidel had created (the Ministry of Interior, neighborhood committees, bands of thugs who attacked and intimidated dissidents). There were about 200,000 people in

this system and they were the ones who lived well and who had a great deal to lose. Even those within government would find these people a formidable obstacle if they tried to promote change.

¶15. (SBU) Palacios said U.S. assistance was not reaching the dissidents. He noted the irony of being jailed as an agent of U.S. imperialism when the actual amount of USG funding was minimal. He said they ran into problems doing things as simple as finding the small amounts of money needed to bring dissidents from one part of the island to another to attend demonstrations. He said he planned to travel to Washington and Miami soon and intended to raise this issue in both places.

National Security Advisor Casajuana and Foreign Minister Moratinos

¶16. (SBU) Senators Martinez and Craig (joined by Senator Lieberman) met January 11 with Carles Casajuana and discussed Afghanistan, Lebanon, Morocco, Cuba, and the AOC. Also on January 11, Codel Martinez met with FM Moratinos where the conversation touched on Afghanistan, the Middle East peace process, Syria, Venezuela, Cuba, and the AOC. Both meetings are reported via septels.

Agricultural Trade Issues

¶17. (SBU) On January 11, Senators Charles Grassley and John Thune, together with the Deputy Chief of Mission, AgCouns and EconOff, met with the Ministry of Industry, Tourism and Trade, Secretary of State for International Trade, Pedro Mejia, and Secretary General Alfredo Bonet. Senator Grassley emphasized the importance of science-based decisions in the agricultural biotechnology context. Mejia said that Spain had a relatively "liberal" view with respect to biotechnology. However, even in Spain the technology was controversial and faced NGO opposition, albeit not as strong as in some other EU member states. Senator Thune asked what influence Spain could exercise in Brussels on this issue. Bonet noted it was very difficult to get a qualified majority for biotech approvals in the EU Environment Council so in the end the Commission was taking decisions in favor of biotechnology. Both Mejia and Bonet noted that commodity price hikes might spur greater liberalization on biotech imports. The Secretary of State asked about the status of the proposed elimination of the "splash and dash" tax credit loophole that allows biodiesel producers in the U.S. to import commodities such as soybeans, add a minimal amount of petroleum diesel, and then reexport the biodiesel. European producers have complained about these imports. The Senator promised to get back to the Secretary of State on the status of the proposed elimination of the loophole. Mejia said that he was pessimistic about the prospects for Doha because major developing countries were not willing to give sufficiently in terms of industrial and services market access; he emphasized especially Spain's interest in better services access. He noted also that with high agricultural commodity prices, some developing countries now did not see why they should give on industrial goods and services access. He said that the U.S. was still under pressure to do more on domestic agricultural support. Spain's senior trade representative asserted that the EU had made a good agricultural access offer. The Senators expressed support for Doha but were pessimistic about getting support for Trade Promotion Authority (TPA) this year. Finally, there was a lively discussion of Secretary of State Mejia's February energy renewables trip to

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the U.S. Both Senators Grassley and Thune were very interested in the mission. (Comment: This was a very good substantive discussion. However, it is clear that while Spain will continue sometimes to vote in favor of biotechnology liberalization proposals, the Spaniards will tread warily on this issue given their own domestic

sensitivities and other equities Spain has in the EU. It was interesting to hear Mejia,s strong emphasis on services as the future of Spain,s economy. Unfortunately, Spanish services companies have not been aggressive in promoting Doha, although this is true of many other services companies in Europe as well. End comment.)

Press Coverage

¶18. (U) ABC, EFE, Europa Press, and El Pais reported on the

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visit. El Pais published January 14 an interview with Senator Martinez focused on the U.S. elections, the Middle East peace process, and the need for democratic change in Cuba.

¶19. (U) Senator Martinez cleared this cable.

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